

Des Moines Metropolitan Wastewater Reclamation Authority

Financial Report
June 30, 2022

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RSM US LLP

Independent Auditor's Report

WRA Board
Des Moines Metropolitan
Wastewater Reclamation Authority

Opinion

We have audited the financial statements of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the WRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the WRA, as of June 30, 2022 and 2021, and the respective changes in financial position, and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the WRA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the WRA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the WRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Des Moines, Iowa
February 22, 2023

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2022 and 2021

The management of the Wastewater Reclamation Authority (WRA) is pleased to offer readers of the WRA's financial statements this narrative overview and analysis of the financial position and activities of the WRA as of and for the fiscal years ended June 30, 2022 and 2021.

Overview of the WRA

A regional treatment plant and conveyance system to nine members of the Integrated Community Area (ICA) was constructed between 1982 and 1994 with a plan of operating through 2005. On July 1, 2004, the Wastewater Reclamation Authority reorganized under a new 28E agreement to be a legal entity that is separate from the member communities and governed by its own Board. This reorganization enabled considerable change in the conveyance system and additions to the treatment plant that allowed the connection of the remaining ICA communities to the regional treatment plant, greater/better treatment at times of over flows, and three new communities to join the WRA. During fiscal year 2014 an updated 28E agreement was adopted that increased capacity at the regional treatment plant, improved interceptors and added a force main and gravity sewer to the conveyance system. This updated 28E agreement extends the WRA to June 30, 2064 and provides planned improvements through 2032.

Participants in the WRA include the cities of Des Moines, West Des Moines, Clive, Altoona, Ankeny, Bondurant, Johnston, Pleasant Hill, Norwalk, Cumming, Waukee and Polk City; the Urbandale Sanitary Sewer District, Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District, Polk County and Warren County in the state of Iowa. The City of Grimes joined the WRA in 2020 as a non-voting participating community.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the WRA's basic financial statements. The WRA's basic financial statements comprise three components: 1) basic financial statements, 2) notes to the financial statements and 3) required supplementary information.

Basic financial statements

The basic financial statements are designed to provide readers with a broad overview of the WRA's finances in a manner similar to a private-sector business. The basic financial statements are prepared using the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows, followed by notes to the financial statements and required supplementary information.

The statement of net position presents information on all the WRA's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the WRA is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses and non-operating revenues and expenses of the WRA for the fiscal year which determines the change in net position for the fiscal year.

The statement of cash flows reports cash and cash equivalents for the fiscal year resulting from operating activities, capital and related financing activities, investing activities, and noncash activities.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2022 and 2021

The basic financial statements include only the WRA. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the WRA. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial highlights

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources (net position) by \$302,442,369, \$298,603,041 and \$297,398,225 as of June 30, 2022, 2021 and 2020, respectively. At June 30, 2022, 2021 and 2020, the WRA showed \$34,952,848, \$34,125,405 and \$36,208,949, respectively, as unrestricted net position, which were available to meet current and future obligations of the WRA.

During the years ended June 30, 2022, 2021 and 2020, the WRA's cash provided by operating activities was \$35,649,342, \$34,939,483 and \$32,440,162, respectively.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the current fiscal year, the WRA is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal years. In 2022, the WRA's net position increased \$3,839,328 from 2021. In 2020, the WRA's net position increased \$1,204,816 from 2020.

	2022	2021	2020
Assets			
Current and other assets	\$ 68,231,586	\$ 75,063,576	\$ 77,952,289
Capital assets	651,980,570	648,500,591	648,511,684
Total assets	720,212,156	723,564,167	726,463,973
Deferred Outflows of Resources	-	-	588,635
Liabilities			
Current liabilities	27,540,117	24,955,374	27,980,536
Noncurrent liabilities	389,351,856	398,930,566	401,673,847
Total liabilities	416,891,973	423,885,940	429,654,383
Deferred Inflows of Resources	877,814	1,075,186	-
Net Position			
Net investment in capital assets	238,591,496	227,829,610	223,702,582
Restricted	28,898,025	36,648,026	37,486,694
Unrestricted	34,952,848	34,125,405	36,208,949
Total net position	\$ 302,442,369	\$ 298,603,041	\$ 297,398,225

The increase in net position for the years ended June 30, 2022, 2021 and 2020 is primarily the result of increased sales and charges for services.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2022 and 2021

Highlights of the WRA's revenues and expenses for the years ended June 30, 2022, 2021 and 2020 are presented in Table 2:

	2022	2021	2020
Operating revenues, charges for sales and services	\$ 62,686,911	\$ 57,570,501	\$ 55,166,430
Operating expenses:			
Cost of sales and services	25,563,876	23,268,146	22,907,856
Depreciation	25,703,230	23,727,412	22,229,000
Total operating expenses	51,267,106	46,995,558	45,136,856
Operating income	11,419,805	10,574,943	10,029,574
Nonoperating revenues (expenses):			
Sales tax	1,941,334	2,049,032	1,822,413
Investment earnings (loss)	(50,837)	171,741	1,795,470
Amortization	1,020,803	214,904	225,969
Gain on disposal of capital assets	31,025	47,342	89,640
Interest and bond issuance expense	(10,522,802)	(11,853,146)	(11,731,799)
Nonoperating (expense)	(7,580,477)	(9,370,127)	(7,798,307)
Change in net position	\$ 3,839,328	\$ 1,204,816	\$ 2,231,267

Total revenues were \$64,608,433 and total expenses were \$60,769,105 for the year ended June 30, 2022. Total revenues were \$59,838,616 and total expenses were \$58,633,800 for the year ended June 30, 2021. Total revenues were \$58,873,953 and total expenses were \$56,642,686 for the year ended June 30, 2020. The WRA's net operating income was \$11,419,805 for the year ended June 30, 2022, \$10,574,943 for the year ended June 30, 2021 and \$10,029,574 for the year ended June 30, 2020. Investment earnings decreased \$222,578 due to yields available in the market place for the year ended June 30, 2022.

The WRA receives contributions from the member communities for debt servicing, capital and operations. The total received from the communities during the years ended June 30, 2022, 2021 and 2020 was \$47,889,775, \$49,300,110 and \$49,126,793, respectively.

Capital assets

Capital assets (net) decreased by \$3,479,979 in 2022, increased by \$11,093 in 2021, and increased by \$19,821,836 in 2020.

Bond proceeds provided funding for the long-term construction commitments for these purposes: a) to accommodate the anticipated population growth in the metro area, b) to make improvements to the wastewater facility and the conveyance system following the WRA Facility Plan Update – 2012, and c) to fund WRA's portion of Des Moines' long-term control plan for separation of the combined sewer system.

Concentration on the capital improvements and expansion planned through the year 2032 will allow the WRA to continue its mission of protecting the public health and enhancing the environment by recycling wastewater and being the preferred treatment facility for hauled liquid waste. Please refer to Note 4 for more information on the WRA's capital assets.

Des Moines Metropolitan Wastewater Reclamation Authority

Management's Discussion and Analysis Years Ended June 30, 2022 and 2021

Long-term debt

In 2008, the WRA began participation in Iowa Finance Authority's (IFA) program to finance the necessary improvements to connect more communities to the wastewater facility at 3000 Vandalia Road in Des Moines (WRF) and to separate combined sewers of the WRA system. WRA's active participation in IFA's program serves to finance necessary improvements at the WRF and other WRA system improvements included in the Facility Plan.

In fiscal year ended June 30, 2022, the WRA authorized \$11,123,000 of new direct placement debt. In fiscal year ended June 30, 2021, the WRA authorized \$12,281,000 of SRF debt. In fiscal year ended June 30, 2020, the WRA authorized \$13,000,000 of SRF debt. The proceeds were used to fund construction improvement projects and additions to the WRA System.

In May 2015, WRA issued \$32,020,000 Series 2015E bonds to partially advance refund \$31,440,000 of the outstanding Sewer Revenue Bonds, Series 2006. Proceeds were placed into an irrevocable trust with an escrow agent and the partially refunded liability of the Series 2006 bonds was removed from the WRA's statement of net position.

In April 2021, WRA issued \$37,380,000 of sewer revenue bonds, Series 2021A bonds to current refund \$41,935,000 of the outstanding Sewer Revenue Bonds, Series 2013B.

Revenue bonds payable decreased by \$7,935,959 in 2022, increased by \$6,124,482 in 2021 and increased by \$20,676,249 in 2020. Please refer to Note 5 for more information on the WRA's long-term debt.

Economic factors

Investment earnings (loss) were (\$50,837), \$171,741 and \$1,795,470 for the years ended June 30, 2022, 2021 and 2020, respectively. Users of the WRA Facility consist of the regional communities including waste haulers and industries based in those communities. The WRA will not impose sewer rates and charges. The communities continue to provide revenue to the WRA. The WRA continues to generate significant revenue from the sale of Renewable Natural Gas (RNG) produced by the WRF Biogas Conditioning & Injection Facility for the foreseeable future and currently is under contract with an off taker for the purchase of RNG until 2031.

Request for information

These financial statements and discussions are designed to provide interested user a complete disclosure of the WRA's finances. If you have questions about this report contact Nick Schaul, 400 Robert D. Ray Dr., Des Moines, Iowa 50309.

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Net Position
June 30, 2022 and 2021**

	2022	2021
Assets		
Current assets:		
Unrestricted current assets:		
Cash and pooled cash	\$ 27,594,009	\$ 26,845,127
Accounts receivable, net	3,714,622	1,999,901
Interest receivable	34,307	96,352
Due from other governmental units	1,993,832	3,438,118
Prepaid expenses	224,816	264,078
Unrestricted current assets	33,561,586	32,643,576
Restricted current assets:		
Cash and pooled cash	8,949,151	6,261,524
Investments	12,895,849	15,469,476
Restricted current assets	21,845,000	21,731,000
Total current assets	55,406,586	54,374,576
Noncurrent assets:		
Cash and pooled cash	3,811,317	6,011,878
Investments	996,270	6,493,720
Restricted noncurrent assets:		
Cash and pooled cash	2,236,120	1,669,611
Investments	5,781,293	6,513,791
Capital assets:		
Land	9,208,891	9,218,391
Construction in progress	46,833,984	48,323,263
Plant	369,285,285	356,983,353
Sewer system	458,333,243	449,167,922
Machinery and equipment	89,404,153	80,670,178
	973,065,556	944,363,107
Less accumulated depreciation	321,084,986	295,862,516
Capital assets, net	651,980,570	648,500,591
Total noncurrent assets	664,805,570	669,189,591
Total assets	720,212,156	723,564,167

See notes to financial statements.

	2022	2021
Liabilities		
Current liabilities:		
Accounts payable	\$ 821,113	\$ 754,869
Accrued wages payable	669,408	570,109
Accrued employee benefits	1,235,615	1,190,072
Contracts payable	6,593,281	4,918,426
Revenue bonds payable	17,478,000	16,668,000
Accrued interest payable	742,700	853,898
Total current liabilities	27,540,117	24,955,374
Noncurrent liabilities:		
Accrued employee benefits	911,877	921,197
Revenue bonds payable	384,594,943	393,340,902
Unamortized bond premium	3,845,036	4,668,467
Total noncurrent liabilities	389,351,856	398,930,566
Total liabilities	416,891,973	423,885,940
Deferred Inflows of Resources , deferred charge on refunding	877,814	1,075,186
Net Position		
Net investment in capital assets	238,591,496	227,829,610
Restricted:		
Debt service	24,090,438	24,141,312
Capital projects	4,807,587	12,506,714
Unrestricted	34,952,848	34,125,405
Total net position	\$ 302,442,369	\$ 298,603,041

Des Moines Metropolitan Wastewater Reclamation Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021**

	2022	2021
Operating revenues, charges for sales and services	\$ 62,686,911	\$ 57,570,501
Operating expenses:		
Salary and personal services	11,512,977	10,401,467
Contractual services	11,240,583	10,356,658
Commodities	2,810,316	2,510,021
Depreciation	25,703,230	23,727,412
Total operating expenses	51,267,106	46,995,558
Operating income	11,419,805	10,574,943
Nonoperating revenues (expenses):		
Sales tax	1,941,334	2,049,032
Investment earnings (loss)	(50,837)	171,741
Amortization of bond premium and deferred charge on refunding	1,020,803	214,904
Gain on disposal of capital assets	31,025	47,342
Interest and bond issuance expense	(10,522,802)	(11,853,146)
Total nonoperating (expenses)	(7,580,477)	(9,370,127)
Change in net position	3,839,328	1,204,816
Net position, beginning of year	298,603,041	297,398,225
Net position, end of year	\$ 302,442,369	\$ 298,603,041

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from users	\$ 60,972,190	\$ 57,818,122
Payments to employees	(11,377,455)	(10,179,503)
Payments to suppliers	(13,945,393)	(12,699,136)
Net cash provided by operating activities	35,649,342	34,939,483
Cash flows from investing activities:		
Investment earnings	184,762	596,596
Purchase of investments	(67,761,013)	(75,771,846)
Sales of investments	76,391,034	73,627,190
Net cash provided by (used in) investing activities	8,814,783	(1,548,060)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(27,517,854)	(25,610,995)
Receipts from sale of capital assets	40,525	47,342
Receipts from SRF drawdowns	12,567,327	18,661,290
Sales tax payments received	1,941,334	2,049,032
Proceeds from revenue bonds	-	39,881,713
Principal payments on revenue bonds	(19,059,000)	(59,354,931)
Interest payments on revenue bonds	(10,491,914)	(10,035,987)
Payment of bond issuance costs	(142,086)	(281,136)
Net cash used in capital and related financing activities	(42,661,668)	(34,643,672)
Increase (decrease) in cash and pooled cash	1,802,457	(1,252,249)
Cash and pooled cash, beginning of year	40,788,140	42,040,389
Cash and pooled cash, end of year	\$ 42,590,597	\$ 40,788,140

(Continued)

Des Moines Metropolitan Wastewater Reclamation Authority

Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 11,419,805	\$ 10,574,943
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25,703,230	23,727,412
(Increase) in accounts receivable	(1,714,721)	(235,867)
Decrease in due from other governmental units	-	481,354
Decrease in prepaid expenses	39,262	299,937
Increase (decrease) in accounts payable	66,244	(130,260)
Increase in accrued wages payable	99,299	40,433
Increase in accrued employee benefits	36,223	181,531
Net cash provided by operating activities	\$ 35,649,342	\$ 34,939,483
Noncash investing activities, net depreciation in fair value of investments	\$ (173,554)	\$ (421,018)
Noncash capital and related financing activities:		
Amounts in contracts payable for purchase of capital assets	\$ 6,593,281	\$ 4,918,426
Amounts in due from other governmental units for SRF draws	\$ 1,994,901	\$ 3,305,637

See notes to financial statements.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters

General: The Des Moines Metropolitan Wastewater Reclamation Authority (WRA) is a separate legal entity with its own Board. A joint venture was formed in 1979 in accordance with the provisions of Chapter 28E of the Code of Iowa. The WRA has been established for the purposes of planning, constructing, operating and managing regional sanitary sewer facilities. On July 1, 2004, a 28E agreement was adopted which amended and restated the previous agreement, created a separate entity, and set forth provisions to carry the WRA beyond 2005 to June 30, 2054. Four communities have joined the WRA since 2004. Supplements to the WRA agreement admitted the City of Cumming effective July 1, 2006; the City of Waukee effective July 1, 2007; the City of Polk City effective July 1, 2010; and the City of Grimes will be effective July 1, 2022.

In 2014, an updated 28E agreement was adopted: the second amended and restated WRA Agreement became effective on June 11, 2014. It extends the WRA to June 30, 2064. The WRA contains the following entities: the Iowa cities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Johnston, Norwalk, Pleasant Hill, Polk City, Waukee and West Des Moines; Urbandale Sanitary Sewer District; Urbandale-Windsor Heights Sanitary District, Greenfield Plaza/Hills of Coventry Sanitary District; the Iowa counties of Polk County and Warren County, (collectively referred to as the "participating communities"). Each participating community has one representative on the Board and additional representatives for each 25,000 population.

On July 1, 2004, the City of Des Moines, Iowa (Des Moines) was designated the "operating contractor". As operating contractor Des Moines operates, maintains and manages the Wastewater Reclamation Facility and the WRA System. The employees assigned to WRA are Des Moines employees. The 20-year contract between WRA and Des Moines terminates June 30, 2024.

The first amended and restated 28E agreement set forth a schedule to fund sewer improvements and construction through 2020 that would connect all participating communities except the three communities joining the WRA since 2004 to the WRA Facility at 3000 Vandalia Road and provided funding of plant improvements. Conveyance improvements included a diversion facility west of Norwalk for storage during high flow events and a separation facility west of the main WRA Facility for treatment during high flow events with a new main outfall to bring combined flows to this facility. The improvements were detailed in the WRA Facility Plan Update-2004.

Additionally, the second amended and restated 28E agreement sets forth a schedule through 2032 that allows additional flows from north to the WRA Facility by construction of an Eastside interceptor and improvements at the existing Westside interceptor. Improvements at the main WRA Facility are planned to meet new and continuing requirements of the operating permit and to increase plant capacity. These improvements are detailed in the WRA Facility Plan Update-2012. The second amended and restated 28E agreement revised the borrowing capacity of the WRA and allows all bonds authorized and issued by the Board to be scheduled to mature so that the aggregate principal amount of all revenue bonds payable on June 30 of each year does not exceed \$675 million.

Reporting entity: Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The WRA is considered to be a primary government and there are no other organizations, agencies, boards, commissions or authorities which are required to be included in the financial reporting entity of the WRA.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Basis of presentation: These financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) that apply to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The economic resources measurement focus and the accrual basis of accounting are used by WRA. Under this basis of accounting, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of WRA are included on the statement of net position. Revenues are recorded when earned which is when the service is provided and expenses are recorded at the time liabilities are incurred. Annually, WRA charges the participating communities for operations including maintenance and debt service in accordance with the 28E agreement, primarily based on budgeted wastewater reclamation facility flows. Sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Operating and nonoperating revenues and expenses: Operating revenues result from exchange transactions of WRA such as charges to participating communities. Operating revenue received from the major participating communities for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
City of Des Moines	31%	24%
City of Ankeny	10	23
City of West Des Moines	10	10

Nonoperating revenues result from nonexchange transactions such as investment earnings and sales tax. Expenses associated with operating WRA and providing services are considered operating.

Cash and pooled cash: WRA maintains deposits with Des Moines as the operating contractor, which invests these deposits on a short-term basis. Des Moines allocates investment income to WRA based upon Des Moines' rate of return on pooled cash and WRA's average monthly deposits balance.

Investments: Des Moines purchases investments on behalf of WRA. The investments consist of U.S. Government Agency and Treasury Securities and are valued at fair value as defined in Note 3.

Accounts receivable: WRA accrues unbilled revenues from commercial customers for industrial pretreatment services and from Fat, Oil, Grease (FOG) inspection fees based upon services rendered between the last billing date in the current year and year-end. The balance for unbilled revenues was \$3,138,207 and \$1,487,833 at June 30, 2022 and 2021, respectively. An allowance account was established for uncollectible FOG inspection fees computed as 10% of each year's fees. The balance in the allowance for doubtful accounts was \$71,100 and \$69,060 at June 30, 2022 and 2021, respectively. \$1,100 and \$540 was written off (recovered) during the years ended June 30, 2022 and 2021, respectively.

Due from other governments: WRA accrues draws submitted under the state revolving loan program based upon service dates of the contract work performed. As of June 30, 2022 and 2021, the amount due from Iowa Finance Authority (SRF Program) was \$1,856,196 and \$3,305,637, respectively. The balance for unbilled due from other governments was \$137,637 and \$83,425 at June 30, 2022 and 2021, respectively. WRA also accrues any unpaid balances from participating communities at year-end. As of June 30, 2022 and 2021, there was no amount due from the State of Iowa for flood mitigation sales tax.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Prepaids: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Restricted assets: Restricted assets represent \$29,862,413 and \$29,913,286 of required reserve funds as established by the debt agreement for the years ended June 30, 2022 and 2021, respectively.

Capital assets: Land, plant, machinery and equipment, and sewer systems are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of 3-50 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The cost of renewals and material improvements that extend asset lives in excess of \$5,000 are capitalized. Contributed assets are recorded at acquisition value as of the date donated. The cost and accumulated depreciation of assets disposed are deleted, with any gain or loss recorded in current operations.

Deferred inflows of resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. WRA has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

Net position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets and adjusted for any deferred charges on refundings. Net investment in capital assets excludes unspent bond proceeds. There were no unspent bond proceeds as of June 30, 2022 or 2021. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of unspent sales tax funds restricted for future capital projects totaling \$4,807,587 and \$12,506,714 as of June 30, 2022 and 2021, respectively. WRA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources and liabilities and deferred inflows of resources in the financial statements and accompanying notes. Actual results may differ from those estimates.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies and Related Matters (Continued)

Compensated absences and deferred compensation plan: Employees assigned to WRA are employees of Des Moines, the Operating Contractor. Wages and benefits are paid by WRA as a direct allocation. Employee benefits are provided under the policies of Des Moines. Under these policies, employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. If paid upon death or retirement, the total accumulated sick leave hours are paid at one-half of the then effective hourly rate for that employee, with a maximum of 750 hours per employee. These accumulations are recorded as expenses and accrued employee benefits in the fiscal year earned.

Employees working for WRA also participate in Des Moines' deferred compensation plan created in accordance with *Internal Revenue Code*, Section 457 and also Section 401(a). The Section 457 plan, and the Section 401(a) plan are available to all WRA employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination, retirement, death, unforeseeable emergency, loan or via in-service contributions at age 70½. The WRA matches 100% of employee contributions up to 2.0% or 2.5% of the employee's salary, depending upon the governing employment agreement. Under the terms of the plan, WRA makes contributions to the plan equal to the employees' contributions; up to 4.5% for the employees referred to as supervisory, professional, and management (SPM); up to 2.5% for the employees of the Central Iowa Public Employee's Council (CIPEC); and up to 2% for the employees of the Municipal Employee's Association (MEA). In 2022 and 2021, WRA contributed approximately \$214,800 and \$155,700, respectively, to the plan.

Long-term obligations: Long-term debt is recorded as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed at the time of bond issuance.

Reclassifications: Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on ending net position or changes in net position.

Note 2. Related Party Transactions

WRA shares certain expenses with Des Moines in accordance with the provisions of the WRA Operating Contract. WRA incurred wages and employee benefit costs in 2022 and 2021 of approximately \$11,483,000 and \$10,401,500, respectively, for employees working for WRA. During the years ended June 30, 2022 and 2021, WRA paid allocations of approximately \$1,506,080 (23%) and \$1,574,300 (24%), respectively, to Des Moines for shared expenses relating to pumping stations maintenance.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments

As of June 30, 2022 and 2021, WRA had the following investments and maturities:

Security Description	2022			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FFCB	\$ 4,422,765	\$ 2,491,625	\$ 1,931,140	\$ -
FHLMC	5,977,810	-	5,977,810	-
FHLB	2,008,660	-	2,008,660	-
Treasury Note	7,264,177	7,264,177	-	-
Grand total	<u>\$ 19,673,412</u>	<u>\$ 9,755,802</u>	<u>\$ 9,917,610</u>	<u>\$ -</u>

Security Description	2021			
	Fair Value	Less than One	Investment Maturities in Years	
			1-2	3-5
FFCB	\$ 2,558,332	\$ -	\$ 2,558,332	\$ -
FNMA	6,531,791	6,531,791	-	-
FHLB	5,562,046	5,562,046	-	-
Treasury Bill	9,995,746	9,995,746	-	-
Treasury Note	3,829,072	2,289,287	1,539,785	-
Grand total	<u>\$ 28,476,987</u>	<u>\$ 24,378,870</u>	<u>\$ 4,098,117</u>	<u>\$ -</u>

Authorized investments: WRA appointed the City Treasurer of Des Moines as the WRA Treasurer. The investment policy of WRA directs the funds to be invested in the same manner as Des Moines Funds are invested under the Des Moines investment policy. WRA is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by Des Moines and the Treasurer of the State of Iowa; prime eligible bankers acceptances; commercial paper rated P-1 by Moody's Commercial Paper Record and A-1 by Standard & Poor's Corporation with a maturity of 270 days; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage districts.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity the fair value is to changes in market interest rates. In accordance with WRA's investment policy, WRA minimizes the interest rate risk of investments in the portfolio by structuring its investment portfolio so that investments mature to meet cash requirements for operations. The WRA investment policy defines operating funds as those funds that can be reasonably expended during a current budget year or within 15 months of receipt. Operating funds are limited to a maturity of 397 days. Non-operating funds are to be invested to coincide with the expected use of the funds. WRA's investment policy requires that nonoperating funds not exceed a five-year maturity.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2021 and 2022, WRA's investments were rated as follows:

Security Description	Moody's	Standard & Poor's
FFCB	Aaa	AA+
FHLB	Aaa	AA+
FHLMC	Aaa	AA+

Concentration of credit risk: The WRA's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the WRA to meet all anticipated cash requirements. The policy limits investments in order to avoid over-concentration in securities of a specific issuer. No more than 10% of the investment portfolio may be invested in commercial paper and no more than 50% of the investment portfolio is invested in securities of a single issuer. As of June 30, 2022, WRA had invested 10% in FHLB, 30% in FHLMC, and 22% in FFCB. As of June 30, 2021, WRA had invested 20% in FHLB, 23% in FNMA, and 9% in FFCB.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2022 and 2021 WRA's deposits with financial institutions were entirely covered by the federal depository insurance or collateralized by the State Sinking Fund in accordance with Chapter 12c of the Code of Iowa.

As of June 30, 2022 and 2021, WRA's investments are unregistered and uninsured and held by the counter party's trust department or their agent in the name of WRA.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

Fair value: Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* provides guidance for determining a fair value measurement for financial reporting purposes.

The WRA uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in markets that are not active; and c) inputs other than quoted prices that are observable for the asset or liability, such as: (1) interest rates and yield curves observable at commonly quoted intervals; (2) implied volatilities and (3) credit spreads. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The WRA has the following recurring fair value measurements as of June 30:

Security Description	2022			
	Fair Value	Level 1	Level 2	Level 3
FFCB	\$ 4,422,765	\$ -	\$ 4,422,765	\$ -
FNMA	5,977,810	-	5,977,810	-
FHLB	2,008,660	-	2,008,660	-
Treasury note	7,264,177	-	7,264,177	-
Grand total	<u>\$ 19,673,412</u>	<u>\$ -</u>	<u>\$ 19,673,412</u>	<u>\$ -</u>

Security Description	2021			
	Fair Value	Level 1	Level 2	Level 3
FFCB	\$ 2,558,332	\$ -	\$ 2,558,332	\$ -
FNMA	6,531,791	-	6,531,791	-
FHLB	5,562,046	-	5,562,046	-
Treasury bill	9,995,746	-	9,995,746	-
Treasury note	3,829,072	-	3,829,072	-
Grand total	<u>\$ 28,476,987</u>	<u>\$ -</u>	<u>\$ 28,476,987</u>	<u>\$ -</u>

The WRA level two investments are valued using inputs that are either directly or indirectly observable as of the reporting date and fair value can be determined through the use of models or other valuation methodologies. The WRA has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of GASB Statement No. 72.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 4. Capital Assets

The following tables show the changes in capital assets for the years ended June 30, 2022 and 2021:

	2022			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,218,391	\$ -	\$ (9,500)	\$ 9,208,891
Construction in progress	48,323,263	28,261,489	(29,750,768)	46,833,984
	<u>57,541,654</u>	<u>28,261,489</u>	<u>(29,760,268)</u>	<u>56,042,875</u>
Depreciable capital assets:				
Plant	356,983,353	12,301,932	-	369,285,285
Sewer system	449,167,922	9,165,321	-	458,333,243
Machinery and equipment	80,670,178	9,214,735	(480,760)	89,404,153
	<u>886,821,453</u>	<u>30,681,988</u>	<u>(480,760)</u>	<u>917,022,681</u>
Less accumulated depreciation:				
Plant	(148,809,194)	(11,497,881)	-	(160,307,075)
Sewer system	(100,980,326)	(9,239,767)	-	(110,220,093)
Machinery and equipment	(46,072,996)	(4,965,582)	480,760	(50,557,818)
	<u>(295,862,516)</u>	<u>(25,703,230)</u>	<u>480,760</u>	<u>(321,084,986)</u>
Net capital assets	<u>\$ 648,500,591</u>	<u>\$ 33,240,247</u>	<u>\$ (29,760,268)</u>	<u>\$ 651,980,570</u>
	2021			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Nondepreciable capital assets:				
Land	\$ 9,218,391	\$ -	\$ -	\$ 9,218,391
Construction in progress	123,234,354	23,326,131	(98,237,222)	48,323,263
	<u>132,452,745</u>	<u>23,326,131</u>	<u>(98,237,222)</u>	<u>57,541,654</u>
Depreciable capital assets:				
Plant	325,422,803	31,560,550	-	356,983,353
Sewer system	382,959,899	66,208,023	-	449,167,922
Machinery and equipment	84,433,687	858,837	(4,622,346)	80,670,178
	<u>792,816,389</u>	<u>98,627,410</u>	<u>(4,622,346)</u>	<u>886,821,453</u>
Less accumulated depreciation:				
Plant	(138,429,353)	(10,379,841)	-	(148,809,194)
Sewer system	(92,504,892)	(8,475,434)	-	(100,980,326)
Machinery and equipment	(45,823,205)	(4,872,137)	4,622,346	(46,072,996)
	<u>(276,757,450)</u>	<u>(23,727,412)</u>	<u>4,622,346</u>	<u>(295,862,516)</u>
Net capital assets	<u>\$ 648,511,684</u>	<u>\$ 98,226,129</u>	<u>\$ (98,237,222)</u>	<u>\$ 648,500,591</u>

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds

The following tables show the changes in long-term debt and employee benefits for the years ended June 30, 2022 and 2021:

	2022				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds:					
Series 2015E	\$ 25,930,000	\$ -	\$ (1,375,000)	\$ 24,555,000	\$ 1,440,000
Series 2021A	37,380,000	-	(2,025,000)	35,355,000	2,335,000
Direct borrowings and direct placements:					
New SRF loans	345,832,325	9,589,618	(14,859,000)	340,562,943	13,703,000
Subordinate SRF	866,577	1,533,423	(800,000)	1,600,000	-
Add premiums	4,668,467	-	(823,431)	3,845,036	-
Total revenue bonds, net	414,677,369	11,123,041	(19,882,431)	405,917,979	17,478,000
Accrued employee benefits	2,111,269	995,220	(958,997)	2,147,492	1,235,615
Total	<u>\$ 416,788,638</u>	<u>\$ 12,118,261</u>	<u>\$ (20,841,428)</u>	<u>\$ 408,065,471</u>	<u>\$ 18,713,615</u>
	2021				
	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Revenue bonds:					
Senior bonds:					
Series 2013B	\$ 44,540,000	\$ -	\$ (44,540,000)	\$ -	\$ -
Series 2015E	27,235,000	-	(1,305,000)	25,930,000	1,375,000
Series 2021A	-	37,380,000	-	37,380,000	2,025,000
Direct borrowings and direct placements:					
New SRF loans	343,367,250	15,390,075	(12,925,000)	345,832,325	13,268,000
Subordinate SRF	991,134	460,374	(584,931)	866,577	-
Add premiums	2,451,242	4,095,948	(1,878,723)	4,668,467	-
Total revenue bonds, net	418,584,626	57,326,397	(61,233,654)	414,677,369	16,668,000
Accrued employee benefits	1,929,738	872,440	(690,909)	2,111,269	1,190,072
Total	<u>\$ 420,514,364</u>	<u>\$ 58,198,837</u>	<u>\$ (61,924,563)</u>	<u>\$ 416,788,638</u>	<u>\$ 17,858,072</u>

Revenue bonds: All senior revenue bonds require principal and interest payments annually each June 1 based on amortization schedules approved by the WRA Board when debt is authorized. Subordinate debt has no principal payment scheduled until it is refunded by issuing senior debt for the same construction project. Management estimates the due within one year based on the subordinate debt that will be refunded to senior debt in the next fiscal year. Principal payments for bonds in the SRF program begin after construction is completed and the project is accepted by the WRA Board.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

In May 2015, WRA issued \$32,020,000 Series 2015E bonds with interest rates ranging from 2.25% to 5% and maturing June 1, 2036 on to partially advance refund \$31,440,000 of the outstanding Sewer Revenue Bonds, Series 2006. Proceeds were placed into an irrevocable trust with an escrow agent and the partially refunded liability of the Series 2006 bonds was removed from the WRA's statement of net position. At June 30, 2022, \$0 of defeased bonds remain outstanding.

In April 2021, WRA issued \$37,380,000 Series 2021A bonds with interest rates ranging from 1.5% to 5% and maturing June 1, 2034 to current refund \$41,935,000 of the outstanding Sewer Revenue Bonds, Series 2013B. The refunding was done to reduce aggregate debt service payments by \$8,293,597 over the next fourteen years and obtain an economic gain (difference between the present values of the old debt and new debt service payments) of \$6,906,885.

In February 2008, WRA issued bonds under the Iowa Finance Authority state revolving loan program (SRF) to finance various construction projects. Each bond series under the state revolving loan program is issued for specific projects with repayments scheduled over the life of the asset or up to thirty years. WRA draws the proceeds as needed for the projects with principal payments on the bonds beginning after completion of the construction.

Bonds issued during the years ended June 30, 2022 and 2021 totaled \$9,589,627 and \$15,390,075, respectively. During fiscal years 2022 and 2021, WRA also issued \$1,533,414 and \$460,374, respectively, subordinate bonds under the SRF planning and design program scheduled to be refunded into a permanent loan after July 1, 2022 and 2021, respectively. The interim loan and disbursement agreement with Iowa Finance Authority for the subordinate bonds state these are noninterest bearing until they are refunded into a permanent loan.

The state revolving loans require WRA to produce and maintain net revenues at a level not less than 100% of the amount of principal and interest on the revenue bonds. In addition, the revenue bonds require that monies be deposited into various restricted reserve accounts and that these deposits be used only for the payment of principal and interest on the related bonds when due or for other purposes as set forth in the bond agreement. The deposits in these restricted reserve accounts total \$29,862,413 and \$29,859,286 as of June 30, 2022 and 2021, respectively.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

The following tables show the detail of revenue bonds payable:

2022						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2022
2008 A	6/4/2008	\$ 16,520,000	6/1/2039	1.75	\$ 16,520,000	\$ 11,335,000
2008 B	6/4/2008	6,575,000	6/1/2039	1.75	6,575,000	4,510,000
2008 D	6/4/2008	2,650,000	6/1/2038	1.75	2,332,000	1,738,000
2009 B	3/18/2009	8,400,000	6/1/2039	1.75	8,400,000	5,828,000
2009 C	7/5/2009	9,200,000	6/1/2039	1.75	9,200,000	6,382,000
2010 A	5/12/2010	8,500,000	6/1/2040	1.75	8,500,000	6,154,000
2010 B	5/12/2010	7,000,000	6/1/2040	1.75	7,000,000	5,067,000
2010 C1	6/30/2010	2,000,000	6/1/2032	1.75	2,000,000	1,990,000
2010 C2	6/30/2010	21,500,000	6/1/2032	1.75	21,404,800	12,029,000
2011 A	5/25/2011	60,000,000	6/1/2042	1.75	60,000,000	46,905,000
2011 B	3/23/2011	16,000,000	6/1/2041	1.75	15,890,000	11,954,000
2011 C	5/25/2011	9,600,000	6/1/2041	1.75	9,600,000	7,232,000
2011 D	12/21/2011	15,470,000	6/1/2043	2.40	15,414,861	12,282,861
2012 B	5/16/2012	2,772,000	6/1/2042	1.75	2,722,000	2,166,000
2012 C	5/16/2012	18,000,000	6/1/2043	3.00	18,000,000	14,565,000
2012 D	5/16/2012	7,000,000	6/1/2042	3.00	7,000,000	5,471,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	12,192,473	9,772,473
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,428,000	1,145,000
2012 G	11/16/2012	24,200,000	6/1/2044	2.27	24,200,000	19,720,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,700,000	6,244,000
2014 A	3/7/2014	1,800,000	6/1/2034	1.75	1,800,000	1,165,000
2014 C	3/7/2014	5,400,000	6/1/2034	1.75	4,785,880	3,027,880
2014 D	3/7/2014	6,000,000	6/1/2034	1.75	6,000,000	4,046,000
2015 A	1/30/2015	10,080,000	6/1/2035	0.75	9,200,706	6,200,300
2015 B	1/30/2015	370,000	6/1/2034	1.75	370,000	240,000
2015 C	1/30/2015	1,744,000	6/1/2035	0.75	1,744,000	1,186,000
2015 E	5/11/2015	32,020,000	6/1/2036	2.25 to 5	N/A	24,555,000
2016 A	2/5/2016	8,000,000	6/1/2035	1.75	8,000,000	5,476,000
2016 E	12/16/2016	660,000	6/1/2036	1.75	634,179	443,179
2016 F	12/16/2016	40,000,000	6/1/2048	2.75	40,000,000	36,482,000
2017 A	12/15/2017	38,000,000	6/1/2049	2.75	37,965,525	35,670,525
2017 B	12/15/2017	1,600,000	12/15/2023	-	1,600,000	1,600,000
2018 A	5/18/2018	4,200,000	6/1/2040	1.75	4,200,000	3,851,000
2018 D1	12/7/2018	11,000,000	6/1/2039	0.78	11,000,000	9,895,000
2018 D2	12/7/2018	8,281,000	6/1/2039	2.34	8,281,000	6,006,000
2018 E	12/7/2018	12,250,000	6/1/2040	0.77	11,300,000	11,141,869
2018 F	12/7/2018	6,000,000	6/1/2039	1.75	9,138,669	3,004,000
2019 A	12/20/2019	12,000,000	6/1/2039	1.75	11,447,807	9,883,807
2020 A	9/11/2020	800,000	9/11/2023	-	800,000	-
2020 B	12/18/2020	11,200,000	6/1/2042	1.75	8,336,499	8,336,499
2021 A	4/6/2021	37,380,000	6/1/2034	1.5 to 5	N/A	35,355,000
2022 A	6/10/2022	20,370,000	6/1/2043	1.75	2,017,550	2,017,550
					Balance due	402,072,943
					Amount due within one year	17,478,000
					Long-term revenue bonds payable	\$ 384,594,943

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

2021						
Series	Date Issued or Assumed	Amount Issued	Maturity Date	Interest Rates	New SRF Only Amount Drawn	Amount Outstanding June 30, 2021
2008 A	6/4/2008	\$ 16,520,000	6/1/2039	1.75	\$ 16,520,000	\$ 11,841,000
2008 B	6/4/2008	6,575,000	6/1/2039	1.75	6,575,000	4,711,000
2008 D	6/4/2008	2,650,000	6/1/2038	1.75	2,332,000	1,820,000
2009 B	3/18/2009	8,400,000	6/1/2039	1.75	8,400,000	6,082,000
2009 C	7/5/2009	9,200,000	6/1/2039	1.75	9,200,000	6,660,000
2010 A	5/12/2010	8,500,000	6/1/2040	1.75	8,500,000	6,403,000
2010 B	5/12/2010	7,000,000	6/1/2040	1.75	7,000,000	5,272,000
2010 C1	6/30/2010	2,000,000	6/1/2032	1.75	2,000,000	1,991,000
2010 C2	6/30/2010	21,500,000	6/1/2032	1.75	21,404,800	13,033,000
2011 A	5/25/2011	60,000,000	6/1/2042	1.75	60,000,000	48,553,000
2011 B	3/23/2011	16,000,000	6/1/2041	1.75	15,890,000	12,404,000
2011 C	5/25/2011	9,600,000	6/1/2041	1.75	9,600,000	7,504,000
2011 D	12/21/2011	15,470,000	6/1/2043	2.40	15,414,861	12,717,861
2012 B	5/16/2012	2,772,000	6/1/2042	3.00	2,772,000	2,242,000
2012 C	5/16/2012	18,000,000	6/1/2043	3.00	18,000,000	15,044,000
2012 D	5/16/2012	7,000,000	6/1/2042	3.00	7,000,000	5,663,000
2012 E	11/16/2012	12,300,000	6/1/2043	2.75	12,192,473	10,107,473
2012 F	11/16/2012	1,428,000	6/1/2043	2.75	1,428,000	1,184,000
2012 G	11/16/2012	24,200,000	6/1/2044	2.27	24,200,000	20,404,000
2013 A	4/5/2013	7,700,000	6/1/2043	2.75	7,700,000	6,455,000
2014 A	3/7/2014	1,800,000	6/1/2034	1.75	1,800,000	1,250,000
2014 C	3/7/2014	5,400,000	6/1/2034	1.75	4,785,880	3,293,880
2014 D	3/7/2014	6,000,000	6/1/2034	1.75	6,000,000	4,342,000
2015 A	1/30/2015	10,080,000	6/1/2035	0.75	9,200,706	6,650,300
2015 B	1/30/2015	370,000	6/1/2034	1.75	370,000	252,000
2015 C	1/30/2015	1,744,000	6/1/2035	0.75	1,744,000	1,271,000
2015 E	5/11/2015	32,020,000	6/1/2036	2.25 to 5	N/A	25,930,000
2016 A	2/5/2016	8,000,000	6/1/2035	1.75	7,995,000	5,837,000
2016 E	12/16/2016	660,000	6/1/2036	1.75	634,179	472,179
2016 F	12/16/2016	40,000,000	6/1/2048	2.75	39,899,000	37,300,000
2017 A	12/15/2017	38,000,000	6/1/2049	2.75	37,843,000	36,400,000
2017 B	12/15/2017	1,600,000	12/15/2023	-	701,474	701,474
2018 A	5/18/2018	4,200,000	6/1/2040	2.75	4,200,000	4,027,000
2018 D1	12/7/2018	11,000,000	6/1/2039	0.78	11,000,000	10,425,000
2018 D2	12/7/2018	8,281,000	6/1/2039	2.75	8,281,000	7,949,000
2018 E	12/7/2018	11,300,000	6/1/2040	1.75	9,080,730	8,615,730
2018 F	12/7/2018	6,000,000	6/1/2039	1.75	3,702,061	3,203,061
2019 A	12/20/2019	12,000,000	6/1/2039	1.75	10,483,740	9,432,740
2020 A	9/11/2020	800,000	9/11/2023	-	165,112	165,112
2021 A	4/6/2021	37,380,000	6/1/2034	1.5 to 5	N/A	37,380,000
					Balance due	410,008,902
						16,668,000
						<u>\$ 393,340,902</u>

Amount due within one year
Long-term revenue bonds payable

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 5. Employee Benefits and Revenue Bonds (Continued)

The outstanding revenue bonds mature as follows:

Fiscal year:	Senior Bonds		Direct Borrowing and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 3,775,000	\$ 1,989,288	\$ 13,703,000	\$ 17,478,000
2024	3,920,000	1,840,138	16,732,000	20,652,000
2025	4,095,000	1,673,538	15,701,000	19,796,000
2026	4,255,000	1,499,188	15,700,552	19,955,549
2027	4,425,000	1,317,738	15,630,000	20,055,000
2028-2032	24,595,000	3,922,302	86,601,000	25,186,294
2033-2037	14,845,000	892,963	82,840,359	16,574,940
2038-2042	-	-	67,261,173	8,085,143
2043-2047	-	-	22,320,334	2,399,518
2048-2049	-	-	5,673,525	208,973
	<u>\$ 59,910,000</u>	<u>\$ 13,135,155</u>	<u>\$ 342,162,943</u>	<u>\$ 150,391,417</u>

Note 6. Commitments and Contingencies

Construction contracts: WRA has signed construction contracts with remaining commitments of approximately \$46,747,851 as of June 30, 2022. Commitments on construction projects are funded primarily by state revolving loan program funds.

Litigation: WRA is subject to litigation in the normal course of operations. Management does not expect a material adverse outcome as a result of these actions.

Note 7. Risk Management

The WRA system is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, and natural disasters. WRA carries commercial insurance for general liability claims. Settled claims did not exceed commercial coverage in the past three years.

Des Moines is self-insured for medical benefits. WRA makes monthly contributions to Des Moines' Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims, or incurred but not reported claims, are a liability of Des Moines' Insurance Fund.

Note 8. Retirement System

As a direct allocation from Des Moines, WRA contributes the current required contributions as stated in the operating contractor agreement for the City employees working for WRA related to the Iowa Public Employees' Retirement System (IPERS). IPERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members for the years ended June 30, 2022 and 2021 were required to contribute 6.29% of their annual covered salary and Des Moines was required to contribute 9.44% of annual payroll for the years ended June 30, 2022 and 2021. Contribution requirements are established by State statute.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 9. Other Postemployment Benefits

As a direct allocation from Des Moines, WRA contributes the current required contributions as stated in the operating contractor agreement for the City employees working for WRA related to Des Moines multi-employer health care plan that provides medical, prescription drugs and dental benefits to all active and retired employees and their eligible dependents including employees working for WRA. Employees who have attained age 55 and retire from active employment are eligible for retiree benefits. Eligible retirees and their dependents receive medical and prescription coverage through a fully-insured plan with Wellmark BCBS and dental benefits through a self-insured plan. These are the same plans that are available for active employees.

Contributions are required for both retiree and dependent coverage. The contributions for each insured group is assumed to be the expected, composite per capita cost for the group. This composite is then disaggregated into an age-specific starting cost curve based on the average age of the group and for assumptions for age-based morbidity. The average age of the pre-65 retiree group is 62. Retiree expenses are then offset by monthly contributions.

Des Moines establishes and amends contribution requirements, which currently is to pay health claims as they occur.

The WRA's direct allocation of the contribution based on pay as you go financing to the other postemployment benefits plan for the years ended June 30, 2022, 2021 and 2020 were approximately \$787,300, \$709,600 and \$700,000, respectively, equal to the required contributions for each year.

Note 10. New Pronouncements

GASB Statement No. 87, *Leases*, was implemented during the year ended June 30, 2022 and had no impact on WRA.

As of June 30, 2022, the GASB has issued several statements not yet implemented by WRA. The statements which may impact WRA are as follows:

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible assets – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implantation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. This statement will be effective for the WRA with its year ending June 30, 2023.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*, issued in June 2022, will be effective for the WRA beginning with its fiscal year ended June 30, 2023. The objective of Statement No. 100 is to improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in great consistency in application in practice.
- GASB Statement No. 101, *Compensated Absences*, issued in June 2022, will be effective for the WRA beginning with its fiscal year ended June 30, 2024. The object of Statement No 101 is to better meet the information needs to financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The impact of the Statements above are still being evaluated.

Des Moines Metropolitan Wastewater Reclamation Authority

Notes to Basic Financial Statements

Note 11. Subsequent Events

On October 18, 2022 the WRA's Board authorized a rate reset to SRF Series 2012B.

On October 18, 2022 the WRA's Board authorized new SRF series 2022C and 2022B in the amounts of \$11,000,000 and \$3,600,000, respectively.

On November 15, 2022 the WRA's Board authorized new SRF series 2022D in the amount of \$26,400,000.

On January 17, 2023 the WRA's Board authorized the payment of Series 2015B bonds to be paid in full on 2/1/23 the amount which is \$240,000 principal and \$700 interest.